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Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 200551  
Re: Docket No. R-1181

Re: Community Reinvestment Act Regulations

Dear Sir or Madam:

This letter is submitted in support of the federal bank regulators' proposal to increase the asset size of banks eligible for the small bank streamlined Community Reinvestment Act (CRA) examination from \$250 million to \$500 million and elimination of the holding company size limit (currently \$1 billion). As a fourth generation community banker, I strongly endorse this proposal, for it will greatly reduce regulatory burden upon community banks like ourselves. I am the Senior Vice President and Senior Lending Officer of First National Bank of Scotia, a locally owned, \$255 million national bank located in Scotia New York.

First National Bank of Scotia was founded in 1923 by a group of local businessmen to meet the needs of their community, which at the time was served by only "large" banks. They felt the other area banks had grown too large and had lost their commitment to the local business community. Here we are over 80 years later, and we see the same issues in our area once again. Our bank is owned and managed by people who live and work in this community. We are like most of our peers, the heart of our small villages, towns, and cities.

The initial introduction of the small bank CRA examination process was a welcome recognition of the differences between small community based banks and large regional or national financial institutions. As a community banker, I am encouraged that the agencies have recognized that it is time to expand this critical burden reduction benefit to larger community banks. At this critical time for the economy, this will allow more community banks to focus on what we do best; fueling America's local economies. When a bank our size must comply with the requirements of the large bank CRA evaluation process, essentially the same process that huge multi-billion dollar, nationwide banks must comply with, the costs and burdens increase dramatically. A bank our size, that does not stray from it's local base, must now meet the same extensive paperwork burden that is required of a much larger bank that has offices across the nation. The resources we must now devote to the documentation requirements of the current large bank CRA examination procedures are resources not available for meeting the credit demands of the community. We are in the process of preparing for our transition to the large bank examination process, and have estimated that our paperwork burden and the associated expense will increase dramatically.

Adjusting the asset size limit also more accurately reflects significant changes and consolidation within the banking industry in the last 10 years. To be fair, banks should be evaluated against their peers, not banks hundreds of time their size. The proposed change recognizes that it's not right to assess the CRA performance of a \$500 million bank with the same exam procedures used for a \$500 billion bank. Large banks now stretch from coast-to-coast with assets in the

hundreds of billions of dollars. It is not equitable, nor logical, to rate a community bank using the same CRA examination.

Unfortunately, and ironically, community activists seem oblivious to the costs and burdens associated with the expanded exams, yet they object to bank mergers that remove the local bank from the community. This is contradictory. If community groups want to keep the local banks in the community where they have better access to decision-makers, they must recognize that regulatory burdens are strangling smaller institutions and forcing them to consider selling to larger institutions that can better manage the burdens.

Increasing the size of banks eligible for the small-bank streamlined CRA examination does not relieve banks from CRA responsibilities. Since the survival of many community banks is closely intertwined with the success and viability of their communities, the increase will merely eliminate some of the most burdensome requirements. It will not change the focus and missions of community banks.

I urge you to break the continuing pattern of increased regulatory burdens placed upon the nations small community banks. We may not have the lobbying power of the nations large banks, but we are an important part of America's economy, as we have been from the beginning days of our nation. It is my hope that community banking will be around for many more generations, and that a fifth and sixth generation of my family will have the same opportunities to serve their community as I have.

In summary, I believe that increasing the asset-size of banks eligible for the small bank streamlined CRA examination process is an important first step to reducing regulatory burden. While community banks still must comply with the general requirements of CRA, this change will eliminate some of the most problematic and burdensome elements of the current CRA regulation from community banks that are drowning in regulatory red-tape.

Sincerely,

John H Buhrmaster  
Sr. Vice President